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NATIONAL INTELLIGENCE DAILY CABLE

Saturday February 12, 1977

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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Saturday, February 12, 1977.

The NID Cable is for the purpose of informing senior US officials.

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PANAMA: Tough Negotiating Stance

25X1 [] Panamanian chief of government Torrijos' recent actions--including the ouster of former foreign minister Boyd--reflect his determination to pursue a tough line in the canal treaty talks that are to resume on Monday and to maintain complete control over the negotiations. The shakeup in Torrijos' negotiating team does not presage any change in basic Panamanian positions.

25X1 [] The various moves strongly indicate that the Panamanians are likely initially to take uncompromising positions on such outstanding treaty issues as duration, residual defense rights, and neutrality, and that progress will be very slow on these issues without the direct involvement of Torrijos in the talks.

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25X1 [] Torrijos replaced moderate treaty negotiator Lopez Guevara with his more hard-line adviser, Escobar Bethancourt, to accompany Boyd for the Washington discussions with Secretary Vance on January 31. []

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25X1 [] The shakeup in the negotiating team and the announced new negotiating procedures which surrounded Boyd's resignation this week do not signal any real departures. Torrijos' new negotiating "methodology" announced on Tuesday--that negotiators would be varied depending upon the subject--only institutionalizes a practice already in effect.

25X1 [] The announced decision to dispense with "front-line men of a permanent nature" was a direct slap at Boyd, who had little choice but to resign.

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[] The new foreign minister, former ambassador to the US Gonzalez-Revilla, has long been active in the treaty talks, and the same is true of Torrijos adviser Escobar Bethancourt--who will apparently assume overall responsibility for the negotiations. Both men are likely to follow Torrijos' instructions to the letter and exercise little initiative. The formal inclusion of businessman Jaime Arias on the treaty team legitimizes the informal supporting role he has been playing.

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[] Torrijos' strong belief in the effectiveness of a tough line is buttressed by his tendency to shy away from compromise treaty decisions he fears experienced US negotiators might exploit. To the extent that he feels the US is anxious to conclude negotiations quickly, he will be further inclined to dig in his heels.

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[] Panama still faces serious economic and financial problems. Since Torrijos and other high officials recognize that a new treaty remains the only practical answer to the country's problems and since his tough signals are in part an opening negotiating stance, his recent actions do not rule out compromise in the later stages of negotiations. They do, however, point to tough bargaining for the immediate future. []

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EGYPT: Anti-subversion Law

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[] The approval this week by Egyptian voters of a tough new anti-subversion law caps off President Sadat's campaign to restore the government's prestige in the wake of violent riots last month. Passage of the new law--which puts into effect harsh penalties for illegal political activity, demonstrations, and tax evasion--may be interpreted by some, however, as a sign of Sadat's weakness.

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[] The referendum can be used by the government as public affirmation of Sadat's explanation that leftist and communist agitators fomented last month's riots. Many Egyptians--especially conservative peasants and wealthy urban dwellers--no doubt accept this interpretation and, in any case, welcome measures to ensure public security. The new law, coupled with other recent tax reforms, should be popular among lower level government employees and farmers.

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Although the severe penalties for disrupting order will have a strong deterrent effect, they almost certainly will foster a more virulent antiregime bias among students and leftists who had become accustomed to greater political liberties. Moreover, even those sympathetic to the government recognize that the new laws are a retreat from Sadat's promises, and their confidence in him has been diminished.

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INDIA-USSR: Podgorny Visit Postponed

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[] Soviet President Podgorny at India's request has postponed indefinitely his visit to India, which was scheduled for later this month. The Indians will probably use the mourning period for President Fakhruddin Ali Ahmed, who died yesterday, as the public reason for the postponement, but the campaign for next month's parliamentary election is probably the real reason.

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[] The visit had been intended primarily to underscore continuing close relations between Moscow and New Delhi, and there were no pressing bilateral issues that required senior consultations. The USSR may well send a high-level delegation--possibly Podgorny himself--to the funeral.

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[] When the visit was scheduled, Prime Minister Gandhi probably expected a fairly easy election campaign. She may also have hoped that Podgorny's presence in India would help contain her growing problems with India's pro-Moscow Communists.

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[] Recent defections from Gandhi's party have changed the election campaign markedly. Gandhi may feel she cannot spend the time to prepare for Podgorny. Moreover, she is now far more concerned about non-communist opposition candidates--some of whom are trying to make India's relations with the USSR a campaign issue--than about the relatively weak Communists.

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[] The Soviets doubtless will be disappointed about the postponement because they had hoped to use it to forestall any Indian effort to try to improve relations with the new governments in the US and China and to impress the Indian Communists with the folly of trying to oppose Gandhi's Congress Party. The first announcement of Soviet oil sales to India suggests, moreover, the Soviet bureaucracy finally may have been ready to respond to India's desires on several economic questions.

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EAST GERMANY: Easing Pressure

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[REDACTED] East German authorities may be easing their pressure on the intellectual community following the expulsion several months ago of Wolf Biermann, a dissident songwriter.

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[REDACTED] Reiner Kunze, well known both inside and outside East Germany for his antiregime writings, was allowed to visit Austria to receive a literary award. Kunze could ask to remain in Austria or proceed to West Germany, but informed Austrian officials do not believe he will do either.

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[] In allowing Kunze to leave the country, the East Germans may be signaling other members of the intelligentsia that there may be some room for maneuvering on their part, particularly if they avoid open criticism of the regime while traveling in the West, and especially in West Germany.

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[] East Germany's decision to permit Kunze to leave the country comes at a time when Austrian Premier Kreisky has come out with a strong endorsement of intellectual freedom and support for the Charter 77 cause in Czechoslovakia. The East German government may hope that a gesture such as permitting Kunze's departure will serve to reinforce the ranks of those less well-known artists who prefer to make peace with the regime.

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[] In allowing Kunze to travel freely to the West, the East German party leaders are also intent on disarming Western criticism that the GDR regime is not complying fully with the Final Act of the Helsinki security accords. []

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EC-JAPAN: Marketing Practices

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[] The European Community's concern over Japan's aggressive ship marketing practices will be eased somewhat by concessions announced by Japan at the Organization for Economic Cooperation and Development, which met Tuesday to discuss the shipbuilding recession. Last year, Japan managed to win more than 85 percent of West European ship orders by placing bids 30 percent or more below those of its West European counterparts.

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[] Japan has agreed to raise export bids sufficiently to stop the increase in its share of the shipbuilding market. Japan also promised to reduce the number of orders it accepts from countries with shipyards that are critically short of work.

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[] Tokyo again rejected, however, an EC proposal that orders from Western Europe be shared equally by Japanese and West European shipbuilders, and market shares remain a hot issue between the EC and Japan.

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[] The EC will continue pressing for measures to equalize Japan's and Western Europe's market shares in terms of labor inputs. Western Europe wants to ensure that Japan shares the burden of a recession that is expected to cut ship production by two thirds over the next three years. []

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